

CITY OF WASHINGTON, IOWA

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2014

CITY OF WASHINGTON, IOWA

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CITY OF WASHINGTON, IOWA
OFFICIALS
June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sandra Johnson	Mayor	January, 2018
Bob Shepherd	Council Member	January, 2018
Russ Zieglowsky	Council Member	January, 2018
Bob Shellmyer	Council Member	January, 2016
Jaron Rosien	Council Member	January, 2018
Mark Kendall	Council Member	January, 2016
Kathy Salazar	Council Member	January, 2018
Brent Hinson	City Administrator	Indefinite
Illa Earnest	City Clerk	Indefinite
Joe Myers (Retired February, 2014)	City Accountant	
Kelsey Kranz (Started February, 2014)	City Accountant	Indefinite
Craig Arbuckle (Resigned December, 2013)	City Attorney	
Kevin Olson (Started January, 2014)	City Attorney	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Washington, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

To the Honorable Mayor and
Members of the City Council

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington, Iowa, as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Washington's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the eight years ended June 30, 2012 (none of which are presented herein), were audited by other auditors whose report expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements.

The supplementary information included in page 1 and pages 28 through 33, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 5e and 26 through 27 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and
Members of the City Council

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2014 on our consideration of the City of Washington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Gmewald, Bell, Kuhn & W.P.C.

Atlantic, Iowa
December 16, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Washington provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 3.4%, or approximately \$263,000, from fiscal year 2013 to fiscal year 2014. Property tax increased approximately \$141,000 while Capital Grants, contributions, and restricted interest and Bond Proceeds decreased approximately \$242,000 and \$296,000 respectively.
- Disbursements of the City's governmental activities decreased 3.2%, or approximately \$244,000, in fiscal year 2014 from fiscal year 2013.
- The City's total cash basis net position increased 8.7%, or approximately \$671,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased approximately \$213,000 and the cash basis net position of the business type activities increased approximately \$458,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

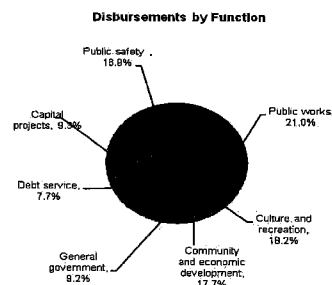
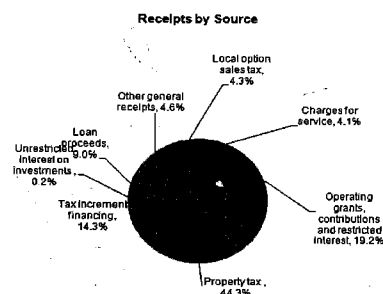
Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from approximately \$5.178 million to approximately \$5.390 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 914,608	961,863
Operating grants, contributions and restricted interest	887,984	1,006,905
Capital grants, contributions and restricted interest	79,279	321,746
General receipts:		
Property tax	3,266,376	3,124,969
Tax increment financing	149,557	128,147
Local option sales tax	759,039	720,777
Unrestricted interest on investments	10,696	1,761
Bond proceeds	466,598	762,594
Other general receipts	897,827	666,012
Total receipts	7,431,964	7,694,774
Disbursements:		
Public safety	1,696,702	1,660,239
Public works	1,285,350	1,073,896
Culture and recreation	954,821	855,510
Community and economic development	62,752	264,215
General government	855,125	764,518
Debt service	888,347	1,589,854
Capital projects	1,572,030	1,350,909
Total disbursements	7,315,127	7,559,141
Change in cash basis net position before transfers	116,837	135,633
Transfers net	95,724	720,074
Change in cash basis net position	212,561	855,707
Cash basis net position beginning of year	5,178,230	4,322,523
Cash basis net position end of year	5,390,791	5,178,230



The City's total receipts for governmental activities decreased 3.4%, or approximately \$262,810. The total cost of all programs and services decreased approximately \$244,014, or 3.2%, with no new programs added this year. The significant decrease in receipts was primarily due to the City receiving a Community Development Block Grant in fiscal year 2013 that was not received in fiscal year 2014 due to the project being completed.

The cost of all governmental activities this year was approximately \$7.315 million compared to approximately \$7.559 million last year. However, as shown in the Statement of Activities and Net Position on pages 6-7, the amount taxpayers ultimately financed for these activities was approximately \$5.433 million because some of the cost was paid by those directly benefited from the programs (approximately \$914,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$967,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2014 from approximately \$2,290,514 to approximately \$1,881,871, principally due to receiving grant proceeds in fiscal year 2013 for the Community Development Block Grant.

Changes in Cash Basis Net Position of Business Type Activities

	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,603,339	1,510,529
Sewer	2,005,962	2,002,665
Sanitation charges	385,654	321,880
Capital grants, contributions and restricted interest		
General receipts:		
Bond Proceeds	223,926	1,992,682
Other miscellaneous receipts	30,756	1,157
Total receipts	4,249,637	5,828,913
Disbursements:		
Water	1,481,508	1,154,290
Sewer	1,875,521	2,961,198
Sanitation	338,827	303,530
Total disbursements	3,695,856	4,419,018
Change in cash basis net position before transfer	553,781	1,409,895
Transfers, net	(95,724)	(720,074)
Change in cash basis net position	458,057	689,821
Cash basis net position beginning of year	2,503,150	1,813,329
Cash basis net position end of year	2,961,207	2,503,150

Total business type activities receipts for the fiscal year were approximately \$4.250 million compared to approximately \$5.829 million last year. This significant decrease was due primarily to the receipt of \$2 million of sewer revenue bond proceeds in fiscal year 2013 that were not received in fiscal year 2014. The cash balance increased approximately \$458,000 from the prior year because the remaining cost for the sewer plant was expended in fiscal year 2013. Total disbursements for the fiscal year decreased 16% to approximately \$3.696 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$5,328,032, an increase of more than \$189,000 above last year's total of \$5,138,958. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance increased \$246,802 from the prior year to \$848,045.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$2,240 to \$755,673 during the fiscal year. This decrease is attributable to transfers out of the Road Use Tax Fund to the Capital Projects Fund and Capital Equipment Fund for Street Projects and a Street Sweeper, respectively.
- The Local Option Sales Tax cash balance stayed at zero for the fiscal year. This is attributable to transfers into and out of the fund on a monthly basis to the General Fund and the Capital Equipment Fund as designated by the Local Option Sales Tax ballot.
- The Capital Projects Fund cash balance decreased by \$135,579 to \$2,850,178, chiefly due to the decrease of Intergovernmental receipts and increase in projects for the fiscal year.
- The Debt Service Fund cash balance increased \$170 from the prior year to \$2,965 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$283,872 to \$931,615, due primarily to an increase in the sale of water and rates from the prior year.
- The Enterprise, Sewer Fund cash balance increased \$119,396 to \$1,909,309, due primarily to the increase in rates and prepping for full principal payments on the Waste Water Treatment Plant State Revolving Fund Loan.
- The Enterprise, Sanitation Fund cash balance increased \$46,827 to \$99,693.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 20, 2014 and resulted in an increase in budgeted revenues of \$329,616 and an increase in operating disbursements of \$1,338,426 for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$3,436,666 less than budgeted.

Total disbursements were \$6,614,562 less than the amended budget. This was primarily due to City not expending funds for Capital Projects including the Airport Runway Extension and the Water Tower project.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$21,063,477 of bonds and other long-term debt outstanding, compared to \$22,211,239 last year, as shown below.

Outstanding Debt at Year End		
	June 30,	
	2014	2013
General obligation bonds	\$ 4,908,714	\$ 5,315,000
Revenue bonds	15,948,135	16,760,239
Urban renewal tax increment financing	116,000	136,000
Other notes	90,628	--
Total	<u>\$ 21,063,477</u>	<u>\$ 22,211,239</u>

Debt decreased as a result of paying principal payments on the general obligation bonds, revenue bonds, and urban renewal tax increment financing debt.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and urban renewal tax increment financing of \$5,115,342 is below the City's \$17.3 million legal debt limit. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2015 fiscal year budget, tax rates, and fees that will be charged for various City activities. Those factors may include the economy, employment rates, operating expenses, capital projects and increases in service and state mandates.

For fiscal year 2015, the City of Washington has projected and budgeted the following major projects; South 12th/East Tyler Street Reconstruction approximately \$510,000, Airport Crosswind Runway Relocation approximately \$2,713,000, Water Ground Storage Replacement \$1,382,000 and Washington Business Park Phase 1 approximately \$2,035,000. Other projects include the Country Club Road Widening, Municipal Building/facilities planning, and Iowa Renewable Energy drainage.

The City Council passed an ordinance to increase water, sewer and sanitation rates by 3.50% effective the first day of July each year beginning in 2013, unless otherwise amended.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brent Hinson, City Administrator, City of Washington, 215 East Washington Street, Washington, Iowa 52353.

CITY OF WASHINGTON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2014

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,696,702	\$ 5,808	\$ 32,450
Public works	1,285,350	408,457	766,793
Culture and recreation	954,821	190,078	34,322
Community and economic development	62,752	--	--
General government	855,125	310,265	54,419
Debt service	888,347	--	--
Capital projects	1,572,030	--	--
Total governmental activities	<u>7,315,127</u>	<u>914,608</u>	<u>887,984</u>
Business type activities:			
Water	1,481,508	1,603,339	--
Sewer	1,875,521	2,005,962	--
Sanitation	338,827	385,654	--
Total business type activities	<u>3,695,856</u>	<u>3,994,955</u>	<u>--</u>
Total	<u>\$ 11,010,983</u>	<u>\$ 4,909,563</u>	<u>\$ 887,984</u>
General Receipts and Transfers:			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
Debt proceeds			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$ (1,658,444)	\$ --	\$ (1,658,444)
35,373	(74,727)	--	(74,727)
3,758	(726,663)	--	(726,663)
--	(62,752)	--	(62,752)
40,148	(450,293)	--	(450,293)
--	(888,347)	--	(888,347)
--	(1,572,030)	--	(1,572,030)
<u>79,279</u>	<u>(5,433,256)</u>	<u>--</u>	<u>(5,433,256)</u>
--	--	121,831	121,831
--	--	130,441	130,441
--	--	<u>46,827</u>	<u>46,827</u>
--	--	<u>299,099</u>	<u>299,099</u>
<u>\$ 79,279</u>	<u>(5,433,256)</u>	<u>299,099</u>	<u>(5,134,157)</u>
	2,419,906	--	2,419,906
	846,470	--	846,470
	149,557	--	149,557
	759,039	--	759,039
	10,696	--	10,696
	466,598	223,926	690,524
	897,827	30,756	928,583
	95,724	(95,724)	--
	<u>5,645,817</u>	<u>158,958</u>	<u>5,804,775</u>
	212,561	458,057	670,618
	<u>5,178,230</u>	<u>2,503,150</u>	<u>7,681,380</u>
	<u>\$ 5,390,791</u>	<u>\$ 2,961,207</u>	<u>\$ 8,351,998</u>

CITY OF WASHINGTON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2014

		<u>Program Receipts</u>
	<u>Disbursements</u>	<u>Charges for Service</u>
		<u>Operating Grants, Contributions, and Restricted Interest</u>
Cash Basis Net Position		
Restricted:		
Expendable:		
Debt service		
Streets		
Capital projects		
Park purposes		
Library purposes		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 2,965	\$ --	\$ 2,965
	755,673	--	755,673
	2,638,168	--	2,638,168
	170,488	--	170,488
	428,405	--	428,405
	78,679	--	78,679
	<u>1,316,413</u>	<u>2,961,207</u>	<u>4,277,620</u>
	<u>\$ 5,390,791</u>	<u>\$ 2,961,207</u>	<u>\$ 8,351,998</u>

CITY OF WASHINGTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

		Special Revenue	
	General	Road Use	Local Option Sales Tax
Receipts:			
Property tax	\$ 1,720,943	\$ --	\$ --
Tax increment financing	--	--	--
Other city tax	--	--	759,039
Licenses and permits	33,601	--	--
Use of money and property	9,413	--	--
Intergovernmental	6,462	725,537	--
Charges for service	143,559	--	--
Special assessments	--	--	--
Miscellaneous	411,487	5,180	--
Total receipts	<u>2,325,465</u>	<u>730,717</u>	<u>759,039</u>
Disbursements:			
Operating:			
Public safety	1,696,702	--	--
Public works	98,652	817,135	--
Culture and recreation	861,386	--	--
Community and economic development	--	--	--
General government	819,574	--	--
Debt service	--	--	--
Capital projects	--	--	--
Total disbursements	<u>3,476,314</u>	<u>817,135</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	(1,150,849)	(86,418)	759,039
Other financing sources (uses):			
Sale of capital assets	26,100	--	--
Debt proceeds	--	--	--
Operating transfers in	1,449,299	201,584	--
Operating transfers out	(77,748)	(117,406)	(759,039)
Total other financing sources (uses)	<u>1,397,651</u>	<u>84,178</u>	<u>(759,039)</u>
Change in cash balances	246,802	(2,240)	--
Cash balances beginning of year	<u>601,243</u>	<u>757,913</u>	<u>--</u>
Cash balances end of year	<u>\$ 848,045</u>	<u>\$ 755,673</u>	<u>\$ --</u>

(continued next page)

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 846,470	\$ 641,603	\$ 3,209,016
--	--	149,557	149,557
--	--	57,360	816,399
--	--	--	33,601
121	2	1,160	10,696
76,176	--	95,675	903,850
--	--	--	143,559
39,159	--	--	39,159
700,846	--	512,542	1,630,055
<u>816,302</u>	<u>846,472</u>	<u>1,457,897</u>	<u>6,935,892</u>
--	--	--	1,696,702
--	--	369,563	1,285,350
--	--	93,435	954,821
--	--	62,752	62,752
--	--	401	819,975
--	859,932	28,415	888,347
1,572,030	--	--	1,572,030
<u>1,572,030</u>	<u>859,932</u>	<u>554,566</u>	<u>7,279,977</u>
(755,728)	(13,460)	903,331	(344,085)
3,374	--	--	29,474
466,598	--	--	466,598
632,488	13,630	51,539	2,348,540
(482,311)	--	(874,949)	(2,311,453)
<u>620,149</u>	<u>13,630</u>	<u>(823,410)</u>	<u>533,159</u>
(135,579)	170	79,921	189,074
<u>2,985,757</u>	<u>2,795</u>	<u>791,250</u>	<u>5,138,958</u>
<u>\$ 2,850,178</u>	<u>\$ 2,965</u>	<u>\$ 871,171</u>	<u>\$ 5,328,032</u>

CITY OF WASHINGTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2014

	<u>General</u>	<u>Special Revenue</u> <u>Road Use</u>	<u>Local Option</u> <u>Sales Tax</u>
Cash Basis Fund Balances			
Restricted for:			
Debt Service	\$ --	\$ --	\$ --
Streets	--	755,673	--
Capital projects	--	--	--
Park purposes	--	--	--
Library purposes	--	--	--
Other purposes	--	--	--
Assigned to:			
Capital equipment	--	--	--
Airport	--	--	--
Unassigned	<u>848,045</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 848,045</u>	<u>\$ 755,673</u>	<u>\$ --</u>

The accompanying notes are an integral part of these statements.

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 2,965	\$ --	\$ 2,965
--	--	--	755,673
2,638,168	--	--	2,638,168
--	--	170,488	170,488
--	--	428,405	428,405
--	--	78,679	78,679
212,010	--	--	212,010
--	--	193,599	193,599
--	--	--	848,045
<u>\$ 2,850,178</u>	<u>\$ 2,965</u>	<u>\$ 871,171</u>	<u>\$ 5,328,032</u>

CITY OF WASHINGTON, IOWA
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
 DISBURSEMENTS AND CHANGES IN CASH BALANCES
 TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION -
 GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

Total governmental funds cash balances (page 8)	\$ 5,328,032
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Amounts reported for governmental activities in the
 Cash Basis Statement of Activities and Net Position are
 different because:

The Internal Service Fund is used by management to charge the
 costs of partial self funding of the City's health insurance
 benefit plan to individual funds. A portion of the cash balance of
 the Internal Service Fund is included in governmental activities
 in the Cash Basis Statement of Activities and Net Position.

62,759

Cash basis net position of governmental activities (page 6)	\$ <u>5,390,791</u>
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Change in cash balances (Page 8)	\$ 189,074
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Amounts reported for governmental activities in the Cash Basis
 Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the
 costs of partial self funding of the City's health insurance
 benefit plan to individual funds. A portion of the change in the
 cash balance of the Internal Service Fund is reported with
 governmental activities in the Cash Basis Statement of Activities
 and Net Position

23,487

Change in cash basis net position of governmental activities (page 6)	\$ <u>212,561</u>
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The accompanying notes are an integral part of these statements.

CITY OF WASHINGTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2014

	Enterprise	
	Water	Sewer
Operating receipts:		
Charges for service	\$ 1,603,339	\$ 2,005,962
Total operating receipts	<u>1,603,339</u>	<u>2,005,962</u>
Operating disbursements:		
General government	--	--
Business type activities	1,445,240	894,555
Total operating disbursements	<u>1,445,240</u>	<u>894,555</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	158,099	1,111,407
Non-operating receipts (disbursements):		
Miscellaneous	11,066	19,690
Debt proceeds	--	223,926
Capital projects	(30,386)	(218,839)
Debt service	--	(756,093)
Net non-operating receipts (disbursements)	<u>(19,320)</u>	<u>(731,316)</u>
Excess (deficit) of receipts over disbursements	138,779	380,091
Operating transfers in	309,906	--
Operating transfers out	<u>(164,813)</u>	<u>(260,695)</u>
Change in cash balances	283,872	119,396
Cash balances beginning of year	<u>647,743</u>	<u>1,789,913</u>
Cash balances end of year	<u>\$ 931,615</u>	<u>\$ 1,909,309</u>
Cash Basis Fund Balances		
Unrestricted	<u>\$ 931,615</u>	<u>\$ 1,909,309</u>
Total cash basis fund balances	<u>\$ 931,615</u>	<u>\$ 1,909,309</u>

The accompanying notes are an integral part of these statements.

<u>Enterprise</u>		<u>Internal Service Health Insurance</u>
<u>Sanitation Nonmajor</u>	<u>Total</u>	
\$ 385,654	\$ 3,994,955	\$ --
385,654	3,994,955	--
--	--	47,066
338,827	2,678,622	--
338,827	2,678,622	47,066
46,827	1,316,333	(47,066)
--	30,756	--
--	223,926	--
--	(249,225)	--
--	(756,093)	--
--	(750,636)	--
46,827	565,697	(47,066)
--	309,906	78,515
--	(425,508)	--
46,827	450,095	31,449
52,866	2,490,522	51,900
\$ 99,693	\$ 2,940,617	\$ 83,349
\$ 99,693	\$ 2,940,617	\$ 83,349
\$ 99,693	\$ 2,940,617	\$ 83,349

CITY OF WASHINGTON, IOWA
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
 DISBURSEMENTS AND CHANGES IN CASH BALANCES
 TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION -
 PROPRIETARY FUNDS

As of and for the year ended June 30, 2014

Total enterprise funds cash balances (page 11)	\$ 2,940,617
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Amounts reported for business type activities in the Cash
 Basis Statement of Activities and Net Position are different
 because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.	<u>20,590</u>
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Cash basis net position of business type activities (page 6)	\$ <u>2,961,207</u>
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Change in cash balances (Page 11)	\$ 450,095
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Amounts reported for business type activities in the Cash Basis
 Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position	<u>7,962</u>
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Change in cash basis net position of business type activities (page 6)	\$ <u>458,057</u>
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The accompanying notes are an integral part of these statements.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Washington, Iowa is a political subdivision of the State of Iowa located in Washington County. It was first incorporated in 1864 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, community and economic development, and general government services. The City also provides water and sewer utilities, and sanitation services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Washington has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Component Unit

The Washington Free Public Library Foundation, which is a non-profit corporation that is legally separate from the City, is a component unit because its purpose is to provide benefits to the City of Washington's Public Library. The component unit has been included with the nonmajor governmental funds of the City of Washington.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Washington County Assessor's Conference Board, Washington County Emergency Management Commission, Washington County Joint E911 Service Board, Washington County Public Safety Committee, and Southeast Iowa Multi-County Solid Waste Agency.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the collection and use of local option sales tax.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

The Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,734,305 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue capital loan notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Urban Renewal TIF Revenue Capital Loan Note	
	Principal	Interest	Principal	Interest
2015	\$ 670,000	\$ 184,880	\$ 21,500	\$ 4,988
2016	690,000	164,405	22,000	4,064
2017	710,000	142,130	23,500	3,118
2018	683,714	118,125	24,000	2,107
2019	155,000	93,140	25,000	1,075
2020-2024	885,000	370,960	--	--
2025-2029	1,115,000	158,970	--	--
2030-2034	--	--	--	--
2035-2039	--	--	--	--
2040-2042	--	--	--	--
	<u>\$ 4,908,714</u>	<u>\$ 1,232,610</u>	<u>\$ 116,000</u>	<u>\$ 15,352</u>

Year Ending June 30,	Revenue Bonds		Other Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 161,135	\$ 519,898	\$ 47,195	\$ 895	\$ 899,830	\$ 710,661
2016	164,000	513,078	14,178	912	890,178	682,459
2017	166,000	507,748	14,474	616	913,974	653,612
2018	437,000	502,353	14,781	310	1,159,495	622,895
2019	451,000	488,151	--	--	631,000	582,366
2020-2024	2,485,000	2,211,075	--	--	3,370,000	2,582,035
2025-2029	2,916,000	1,780,223	--	--	4,031,000	1,939,193
2030-2034	3,420,000	1,274,587	--	--	3,420,000	1,274,587
2035-2039	4,014,000	681,495	--	--	4,014,000	681,495
2040-2042	1,734,000	88,824	--	--	1,734,000	88,824
	<u>\$ 15,948,135</u>	<u>\$ 8,567,432</u>	<u>\$ 90,628</u>	<u>\$ 2,733</u>	<u>\$ 21,063,477</u>	<u>\$ 9,818,127</u>

The Code of Iowa requires principal and interest on general obligation bonds to be paid from the Debt Service Fund.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Urban Renewal Tax Increment Financing Revenue Capital Loan Notes

The City issued urban renewal tax increment financing (TIF) revenue notes for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The notes are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the notes. The proceeds of the Urban Renewal Tax Increment Financing shall be expended only for purposes that are consistent with the plans of the City's urban renewal area. The notes are not general obligations of the City; however, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the notes is \$131,352, payable through 2019. For the current year, principal and interest paid and total TIF receipts were \$25,846 and \$149,557, respectively.

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay two revenue bond issues. The bonds were issued between September, 2011 and April, 2012. Proceeds from the bonds provided financing for the construction of sewer system projects and construction of a new waste water treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2041. Annual principal and interest on the bonds are expected to require less than 65% of net receipts. The total principal and interest remaining to be paid on the bonds is \$24,515,567. For the current year, principal and interest paid and total customer net receipts were \$720,516 and \$1,111,407, respectively. During the year ended June 30, 2014, \$1,000,000 of principal was forgiven.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sewer user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements due in the same year.

Other Notes

The City issued a note in December, 2013 in the amount of \$33,000 for the purchase of a police vehicle. The note is through Washington State Bank and has an interest rate of 1.96%. The note is to be paid in a single payment in July, 2014. The police vehicle serves as collateral for the note.

The City issued a note in October, 2013 in the amount of \$57,628 for the purchase of records management software. The note is through Washington State Bank and has an interest rate of 2.10%. Payments of \$15,090 are to be paid annually through July, 2017. The records management software serves as collateral for the note.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 - INDUSTRIAL DEVELOPMENT REVENUE BOND

The City has issued a \$2,400,000 elderly housing revenue bond under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2014, primarily relating to the General Fund, is \$112,000, based on rates of pay in effect at June 30, 2014.

NOTE 6 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$233,227, \$224,017, and \$208,054, respectively, equal to the required contribution for each year.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical, prescription drug, dental, and vision benefits for employees, retirees, and their spouses. There are 45 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical, prescription drug, dental, and vision benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy: The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$392 for single coverage and \$1,204 for family coverage. For the year ended June 30, 2014, the City contributed \$302,212 and plan members eligible for benefits contributed \$64,243 to the plan.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There has been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2014 were approximately \$135,000.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - RISK MANAGEMENT - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from the other insurers for coverage associated with workers' compensation and various types of liability insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Park	\$ 28,435
	Housing Rehabilitation	26,409
	Liability Insurance	57,360
	Local Option Sales Tax	652,259
	Employee Benefits	535,562
	Urban Renewal TIF	61,274
	Capital Projects	65,000
	Enterprise:	
	Sewer	23,000
		<u>1,449,299</u>
Special Revenue:	General	50,000
Road Use Tax	Special Revenue:	
	Employee Benefits	49,179
	Capital Projects	97,405
	Enterprise:	
	Water	5,000
		<u>201,584</u>
Special Revenue:	General	20,353
Housing Rehabilitation	Special Revenue:	
	Urban Renewal TIF	15,566
		<u>35,919</u>
Debt Service	Enterprise:	
	Sewer	<u>13,630</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	106,780
	Road Use	117,406
	Urban Renewal TIF	44,302
	Enterprise:	
	Sewer	214,000
	Water	150,000
		<u>632,488</u>
Special Revenue:	General	95
Park		<u>95</u>
Special Revenue:	General	525
Neighborhood Pride		<u>525</u>
Special Revenue:	General	5,000
Cemetery Gift	Capital Projects	10,000
		<u>15,000</u>

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 - INTERFUND TRANSFERS - Continued

Enterprise:		
Water	Capital Projects	<u>309,906</u>
Internal Service:		
Health Insurance	General	1,775
	Special Revenue:	
	Employee Benefits	56,862
	Enterprise:	
	Sewer	10,065
	Water	<u>9,813</u>
		<u>78,515</u>
		<u>\$ 2,736,961</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 10 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$2,926 during the year ended June 30, 2014.

NOTE 11 - COMMITMENTS

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The commitments of the City are for a ground storage reservoir project with a remaining cost of \$1,411,739, which will be paid with existing funds of the City.

NOTE 12 - OPERATING LEASES - LESSOR

The City leases farm land around the airport to two individuals. The lease terms are on a year-to-year basis. Rental income for the year ended June 30, 2014 totaled \$66,950.

The City leases hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2014 totaled \$32,505.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 13 - CAPITAL LEASE

The City leases a sewer camera. The lease has a term of three years expiring December, 2014, with the option to purchase for \$1 at the end of the term. Future minimum lease payments are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2015	\$ 35,577

NOTE 14 - SUBSEQUENT EVENT

The City has evaluated all subsequent events through December 16, 2014, the date the financial statements were available to be issued.

NOTE 15 - PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

* * *

OTHER INFORMATION

CITY OF WASHINGTON, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS

Year ended June 30, 2014

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds not Required to be Budgeted</u>
Receipts:			
Property tax	\$ 3,209,016	\$ --	\$ --
Tax increment financing	149,557	--	--
Other city tax	816,399	--	--
Licenses and permits	33,601	--	--
Use of money and property	10,696	--	--
Intergovernmental	903,850	--	--
Charges for service	143,559	3,994,955	--
Special assessments	39,159	--	--
Miscellaneous	<u>1,630,055</u>	<u>30,756</u>	<u>--</u>
Total receipts	<u>6,935,892</u>	<u>4,025,711</u>	<u>--</u>
Disbursements:			
Public safety	1,696,702	--	--
Public works	1,285,350	--	--
Culture and recreation	954,821	--	--
Community and economic development	62,752	--	--
General government	819,975	47,066	47,066
Debt service	888,347	--	--
Capital projects	1,572,030	--	--
Business type activities	<u>--</u>	<u>3,683,940</u>	<u>--</u>
Total disbursements	<u>7,279,977</u>	<u>3,731,006</u>	<u>47,066</u>
Excess (deficiency) of receipts over (under) disbursements	(344,085)	294,705	(47,066)
Other financing sources (uses), net	<u>533,159</u>	<u>186,839</u>	<u>78,515</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	189,074	481,544	31,449
Balances beginning of year	<u>5,138,958</u>	<u>2,542,422</u>	<u>51,900</u>
Balances end of year	<u>\$ 5,328,032</u>	<u>\$ 3,023,966</u>	<u>\$ 83,349</u>

See accompanying independent auditor's report.

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 3,209,016	\$ 3,314,952	\$ 3,314,952	\$ (105,936)
149,557	158,431	158,431	(8,874)
816,399	739,127	739,127	77,272
33,601	118,600	118,600	(84,999)
10,696	137,572	142,383	(131,687)
903,850	5,002,421	5,298,213	(4,394,363)
4,138,514	4,571,950	4,571,950	(433,436)
39,159	13,000	13,000	26,159
1,660,811	12,600	41,613	1,619,198
<u>10,961,603</u>	<u>14,068,653</u>	<u>14,398,269</u>	<u>(3,436,666)</u>
1,696,702	1,728,947	1,728,947	32,245
1,285,350	1,718,590	1,718,590	433,240
954,821	925,458	979,108	24,287
62,752	27,722	96,722	33,970
819,975	752,410	846,094	26,119
888,347	902,836	902,836	14,489
1,572,030	5,088,570	5,981,662	4,409,632
3,683,940	5,095,520	5,324,520	1,640,580
<u>10,963,917</u>	<u>16,240,053</u>	<u>17,578,479</u>	<u>6,614,562</u>
(2,314)	(2,171,400)	(3,180,210)	3,177,896
<u>641,483</u>	<u>250,000</u>	<u>690,524</u>	<u>(49,041)</u>
639,169	(1,921,400)	(2,489,686)	3,128,855
<u>7,629,480</u>	<u>6,006,425</u>	<u>6,006,425</u>	<u>1,623,055</u>
<u>\$ 8,268,649</u>	<u>\$ 4,085,025</u>	<u>\$ 3,516,739</u>	<u>\$ 4,751,910</u>

CITY OF WASHINGTON, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for its blended component unit and Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$1,338,426. The budget amendments are reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

CITY OF WASHINGTON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

	Special Revenue				
	Airport	Employee Benefits	Liability Insurance	Urban Renewal TIF	Housing Rehabilitation
Receipts:					
Property tax	\$ --	\$ 641,603	\$ --	\$ --	\$ --
Tax increment financing	--	--	--	149,557	--
Other City tax	--	--	57,360	--	--
Use of money and property	--	--	--	--	--
Intergovernmental	41,256	--	--	--	54,419
Miscellaneous	382,718	--	--	--	--
Total receipts	423,974	641,603	57,360	149,557	54,419
Disbursements:					
Operating:					
Public works	369,563	--	--	--	--
Culture and recreation	--	--	--	--	--
Community and economic development	--	--	--	--	48,363
General government	--	--	--	--	--
Debt service	--	--	--	28,415	--
Total disbursements	369,563	--	--	28,415	48,363
Excess (deficiency) of receipts over (under) disbursements	54,411	641,603	57,360	121,142	6,056
Other financing sources (uses):					
Operating transfers in	--	--	--	--	35,919
Operating transfers out	--	(641,603)	(57,360)	(121,142)	(26,409)
Total other financing sources (uses)	--	(641,603)	(57,360)	(121,142)	9,510
Change in cash balances	54,411	--	--	--	15,566
Cash balances beginning of year	139,188	--	--	--	11,107
Cash balances end of year	\$ 193,599	\$ --	\$ --	\$ --	\$ 26,673

(continued next page)

Schedule 1

Special Revenue						Component Unit	
Dog Park	Tree	Park	Library Trust	Neighborhood Pride	Cemetery Gift	Library Foundation	Total
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 641,603
--	--	--	--	--	--	--	149,557
--	--	--	--	--	--	--	57,360
--	--	2	255	--	--	903	1,160
--	--	--	--	--	--	--	95,675
<u>581</u>	<u>12,784</u>	<u>11,481</u>	<u>7,036</u>	<u>--</u>	<u>25,000</u>	<u>72,942</u>	<u>512,542</u>
581	12,784	11,483	7,291	--	25,000	73,845	1,457,897
--	--	--	--	--	--	--	369,563
--	--	9,448	10,252	--	--	73,735	93,435
--	13,864	--	--	525	--	--	62,752
401	--	--	--	--	--	--	401
--	--	--	--	--	--	--	28,415
<u>401</u>	<u>13,864</u>	<u>9,448</u>	<u>10,252</u>	<u>525</u>	<u>--</u>	<u>73,735</u>	<u>554,566</u>
180	(1,080)	2,035	(2,961)	(525)	25,000	110	903,331
--	--	95	--	525	15,000	--	51,539
--	--	(28,435)	--	--	--	--	(874,949)
--	--	(28,340)	--	525	15,000	--	(823,410)
180	(1,080)	(26,305)	(2,961)	--	40,000	110	79,921
<u>5,712</u>	<u>7,194</u>	<u>196,793</u>	<u>256,332</u>	<u>--</u>	<u>--</u>	<u>174,924</u>	<u>791,250</u>
<u>\$ 5,892</u>	<u>\$ 6,114</u>	<u>\$170,488</u>	<u>\$ 253,371</u>	<u>\$ --</u>	<u>\$ 40,000</u>	<u>\$ 175,034</u>	<u>\$ 871,171</u>

CITY OF WASHINGTON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2014

	Special Revenue				
	<u>Airport</u>	<u>Employee Benefits</u>	<u>Liability Insurance</u>	<u>Urban Renewal TIF</u>	<u>Housing Rehabilitation</u>
Cash Basis Fund Balances					
Restricted for:					
Park purposes	\$ --	\$ --	\$ --	\$ --	\$ --
Library purposes	--	--	--	--	--
Other purposes	--	--	--	--	26,673
Assigned to:					
Airport	<u>193,599</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 193,599</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 26,673</u>

See accompanying independent auditor's report.

Schedule 1

Special Revenue						Component Unit	
<u>Dog Park</u>	<u>Tree</u>	<u>Park</u>	<u>Library Trust</u>	<u>Neighborhood Pride</u>	<u>Cemetery Gift</u>	<u>Library Foundation</u>	<u>Total</u>
\$ --	\$ --	\$170,488	\$ --	\$ --	\$ --	\$ --	\$ 170,488
--	--	--	253,371	--	--	175,034	428,405
5,892	6,114	--	--	--	40,000	--	78,679
--	--	--	--	--	--	--	193,599
<u>\$ 5,892</u>	<u>\$ 6,114</u>	<u>\$170,488</u>	<u>\$ 253,371</u>	<u>\$ --</u>	<u>\$ 40,000</u>	<u>\$ 175,034</u>	<u>\$ 871,171</u>

CITY OF WASHINGTON, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Capital loan note	06/17/09	1.25-4.80%	\$ 3,500,000
Capital loan note	06/18/08	2.50-4.00%	4,355,000
Capital loan note	07/02/12	1.50%	250,000
Capital loan note	07/01/13	0.75%	250,000
Total General Obligation Notes and Bonds			
Revenue Bonds:			
Sewer revenue	09/21/11	3.00%	6,316,000
Sewer revenue	04/04/12	3.00%	3,000,000
Total Revenue Bonds			
Urban Renewal TIF Revenue Notes:			
Urban Renewal Series 2006	09/15/06	4.30-5.38%	280,000
Total Urban Renewal TIF Revenue Notes			
Other Notes:			
Police RMS System	10/04/13	2.10%	57,628
Police Tahoe	12/31/13	1.96%	33,000
Total Other Notes			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 2,805,000	\$ --	\$ 130,000	\$ 2,675,000	\$ 112,315	\$ 8,970
2,310,000	--	425,000	1,885,000	86,673	5,919
200,000	--	50,000	150,000	1,944	185
<u>--</u>	<u>250,000</u>	<u>51,286</u>	<u>198,714</u>	<u>1,714</u>	<u>122</u>
<u>\$ 5,315,000</u>	<u>\$ 250,000</u>	<u>\$ 656,286</u>	<u>\$ 4,908,714</u>	<u>\$ 202,646</u>	<u>\$ 15,196</u>
\$14,069,479	\$ 223,926	\$1,100,000	\$ 13,193,405	\$ 467,161	\$ 35,373
<u>2,690,760</u>	<u>125,970</u>	<u>62,000</u>	<u>2,754,730</u>	<u>91,355</u>	<u>7,359</u>
<u>\$16,760,239</u>	<u>\$ 349,896</u>	<u>\$1,162,000</u>	<u>\$ 15,948,135</u>	<u>\$ 558,516</u>	<u>\$ 42,732</u>
\$ 136,000	\$ --	\$ 20,000	\$ 116,000	\$ 5,846	\$ 410
<u>\$ 136,000</u>	<u>\$ --</u>	<u>\$ 20,000</u>	<u>\$ 116,000</u>	<u>\$ 5,846</u>	<u>\$ 410</u>
\$ --	\$ 57,628	\$ --	\$ 57,628	\$ --	\$ 907
<u>--</u>	<u>33,000</u>	<u>--</u>	<u>33,000</u>	<u>--</u>	<u>323</u>
<u>\$ --</u>	<u>\$ 90,628</u>	<u>\$ --</u>	<u>\$ 90,628</u>	<u>\$ --</u>	<u>\$ 1,230</u>

CITY OF WASHINGTON, IOWA
BOND AND NOTE MATURITIES
June 30, 2014

Year ending June 30,	General Obligation Bonds					
	Capital Loan Note Issued June 18, 2008		Capital Loan Note Issued June 17, 2009		Capital Loan Note Issued July 2, 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	3.45%	\$ 440,000	2.45%	\$ 130,000	1.50%	\$ 50,000
2016	3.60%	460,000	2.70%	130,000	1.50%	50,000
2017	3.75%	480,000	3.00%	130,000	1.50%	50,000
2018	3.90%	505,000	3.20%	130,000		
2019			3.40%	155,000		
2020			3.60%	160,000		
2021			3.80%	170,000		
2022			4.00%	175,000		
2023			4.10%	185,000		
2024			4.20%	195,000		
2025			4.30%	205,000		
2026			4.40%	215,000		
2027			4.50%	230,000		
2028			4.60%	245,000		
2029			4.70%	220,000		
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
2039						
2040						
2041						
2042						
		<u>\$1,885,000</u>		<u>\$2,675,000</u>		<u>\$ 150,000</u>
					Urban Renewal Tax Increment Financing (TIF) Revenue Notes Series 2006 Issued September 15, 2006	
Year ending June 30,					Interest Rates	Amount
2015					4.30%	\$ 21,500
2016					4.30%	22,000
2017					4.30%	23,500
2018					4.30%	24,000
2019					4.30%	25,000
						<u>\$ 116,000</u>

See accompanying independent auditor's report.

General Obligation Bonds			Revenue Bonds				
Capital Loan Note			Series 2011		Series 2012		
Issued July 1, 2013			Issued September 21, 2011		Issued April 4, 2012		
Interest Rates	Amount	Total	Interest Rates	Amount	Interest Rate	Amount	Total
0.75%	\$ 50,000	\$ 670,000	3.00%	\$ 99,405	3.00%	\$ 61,730	\$ 161,135
0.75%	50,000	690,000	3.00%	100,000	3.00%	64,000	164,000
0.75%	50,000	710,000	3.00%	100,000	3.00%	66,000	166,000
0.75%	48,714	683,714	3.00%	369,000	3.00%	68,000	437,000
		155,000	3.00%	381,000	3.00%	70,000	451,000
		160,000	3.00%	393,000	3.00%	73,000	466,000
		170,000	3.00%	406,000	3.00%	75,000	481,000
		175,000	3.00%	419,000	3.00%	77,000	496,000
		185,000	3.00%	433,000	3.00%	80,000	513,000
		195,000	3.00%	447,000	3.00%	82,000	529,000
		205,000	3.00%	461,000	3.00%	85,000	546,000
		215,000	3.00%	476,000	3.00%	88,000	564,000
		230,000	3.00%	492,000	3.00%	91,000	583,000
		245,000	3.00%	508,000	3.00%	94,000	602,000
		220,000	3.00%	524,000	3.00%	97,000	621,000
			3.00%	541,000	3.00%	100,000	641,000
			3.00%	559,000	3.00%	103,000	662,000
			3.00%	577,000	3.00%	106,000	683,000
			3.00%	596,000	3.00%	110,000	706,000
			3.00%	615,000	3.00%	113,000	728,000
			3.00%	635,000	3.00%	117,000	752,000
			3.00%	656,000	3.00%	121,000	777,000
			3.00%	677,000	3.00%	125,000	802,000
			3.00%	699,000	3.00%	129,000	828,000
			3.00%	722,000	3.00%	133,000	855,000
			3.00%	745,000	3.00%	137,000	882,000
			3.00%	563,000	3.00%	142,000	705,000
					3.00%	147,000	147,000
	<u>\$ 198,714</u>	<u>\$4,908,714</u>		<u>\$ 13,193,405</u>		<u>\$ 2,754,730</u>	<u>\$ 15,948,135</u>

Other Notes					
Police RMS System		Police Tahoe			
Issued October 4, 2013		Issued December 31, 2013			
Interest Rates	Amount	Interest Rates	Amount	Total	
2.10%	\$ 14,195	1.96%	\$ 33,000	\$	47,195
2.10%	14,178				14,178
2.10%	14,474				14,474
2.10%	14,781				14,781
	<u>\$ 57,628</u>		<u>\$ 33,000</u>	<u>\$</u>	<u>90,628</u>

CITY OF WASHINGTON, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:				
Property tax	\$ 3,209,016	\$ 3,071,074	\$ 2,855,973	\$ 2,629,923
Tax increment financing	149,557	128,147	412,169	311,511
Other city tax	816,399	774,672	1,191,364	1,096,587
Use of money and property	33,601	62,061	133,522	120,811
Licenses and permits	10,696	1,761	102,917	107,011
Intergovernmental	903,850	1,186,036	2,353,434	1,287,291
Charges for service	143,559	181,176	196,083	201,540
Special assessments	39,159	26,834	14,926	13,580
Miscellaneous	<u>1,630,055</u>	<u>1,515,118</u>	<u>1,011,369</u>	<u>927,024</u>
Total	<u>\$ 6,935,892</u>	<u>\$ 6,946,879</u>	<u>\$ 8,271,757</u>	<u>\$ 6,695,278</u>
Disbursements:				
Operating:				
Public safety	\$ 1,696,702	\$ 1,660,239	\$ 1,635,509	\$ 1,644,493
Public works	1,285,350	1,073,896	1,418,092	1,191,871
Culture and recreation	954,821	855,510	833,069	932,355
Community and economic development	62,752	264,215	66,250	66,082
General government	819,975	764,518	978,299	946,185
Debt service	888,347	1,589,854	1,021,522	1,166,467
Capital projects	<u>1,572,030</u>	<u>1,350,909</u>	<u>1,651,932</u>	<u>1,546,539</u>
Total	<u>\$ 7,279,977</u>	<u>\$ 7,559,141</u>	<u>\$ 7,604,673</u>	<u>\$ 7,493,992</u>

See accompanying independent auditor's report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 2,533,258	\$ 2,405,145	\$ 2,350,999	\$ 2,365,634	\$ 2,345,992	\$ 2,367,998
336,447	209,724	104,729	113,794	101,008	94,486
670,139	612,723	709,116	671,072	455,213	545,406
89,186	140,156	134,280	195,990	69,611	53,880
82,522	130,196	109,264	119,148	154,770	99,077
1,460,773	1,181,813	1,220,791	1,165,904	855,371	835,138
153,610	616,050	518,170	399,797	218,106	207,144
12,221	7,009	12,559	14,963	32,849	17,801
<u>1,825,514</u>	<u>2,822,372</u>	<u>704,243</u>	<u>705,606</u>	<u>113,484</u>	<u>205,480</u>
<u>\$ 7,163,670</u>	<u>\$ 8,125,188</u>	<u>\$ 5,864,151</u>	<u>\$ 5,751,908</u>	<u>\$ 4,346,404</u>	<u>\$ 4,426,410</u>
\$ 1,604,339	\$ 1,822,455	\$ 1,503,628	\$ 1,355,269	\$ 1,561,645	\$ 1,425,479
1,076,942	1,009,014	1,544,143	1,405,445	691,540	559,650
824,578	936,866	913,776	819,720	687,928	620,817
55,364	63,371	98,868	342,321	125,114	--
977,718	1,001,763	878,786	919,301	846,315	736,814
1,040,256	949,377	909,786	941,246	918,085	923,092
<u>3,415,095</u>	<u>6,275,982</u>	<u>644,339</u>	<u>248,737</u>	<u>291,636</u>	<u>234,494</u>
<u>\$ 8,994,292</u>	<u>\$ 12,058,828</u>	<u>\$ 6,493,326</u>	<u>\$ 6,032,039</u>	<u>\$ 5,122,263</u>	<u>\$ 4,500,346</u>

CITY OF WASHINGTON, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0093-007	\$ 209,535
Airport Improvement Program	20.106	3-19-0093-05	<u>34,597</u>
			<u>244,132</u>
Indirect:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-8140(610)--70-92	212,876
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant Program	14.228	10-WS-072-08	35,373
Community Development Block Grant Program	14.228	10-HSG-040	<u>54,419</u>
			<u>89,792</u>
Total indirect			<u>302,668</u>
			<u>\$ 546,800</u>

Basis of Presentation -The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Washington and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Washington, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Washington's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Washington's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Washington's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Washington's financial statements will not be prevented or detected and corrected on a timely basis.

To the Honorable Mayor and
Members of the City Council

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 14-II-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Washington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance or other matter which is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

The City of Washington's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Washington's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Commerford, Bell, Kohn & Co. P.C.

Atlantic, Iowa
December 16, 2014

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council

Report on Compliance for Each Major Federal Program

We have audited the City of Washington, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Washington's major federal programs for the year ended June 30, 2014. The City of Washington's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Washington's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Washington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the City of Washington's compliance.

To the Honorable Mayor and
Members of the City Council

Opinion on Each Major Federal Program

In our opinion, the City of Washington complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of the City of Washington is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Washington's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Washington's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

G. Meredith, Bell, Kyhn & Co. P.C.

Atlantic, Iowa
December 16, 2014

CITY OF WASHINGTON, IOWA
Schedule Of Findings And Questioned Costs
Year ended June 30, 2014

PART I: Summary of the Independent Auditor's Results

Financial Statements

- (a) Type of auditor's report issued:
- Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Internal control over financial reporting:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? X yes none reported
- (c) Noncompliance material to financial statements noted? yes X no

Federal Awards

- (d) Internal control over major program:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? yes X none reported
- (e) Type of auditor's report issued on compliance for major programs:
- Unmodified.
- (f) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the OMB Circular A-133? yes X no
- (g) Identification of major programs:
- Department of Transportation:
- CFDA Number 20.106 - Airport Improvement Program
 - CFDA Number 20.205 - Highway Planning and Construction
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) Auditee qualified as low-risk auditee? yes X no

CITY OF WASHINGTON, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

14-II-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF WASHINGTON, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

PART III: Findings and Questioned Costs For Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

PART IV: Other Findings Related to Statutory Reporting

14-IV-A Certified Budget: Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.

14-IV-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

14-IV-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

CITY OF WASHINGTON, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

PART IV: Other Findings Related to Statutory Reporting - Continued

14-II-D Business Transactions: Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Roe Heating and Hardware Mike Roe is the owner of the business and chairperson of the Airport Commission	Miscellaneous items	\$ <u>2,756</u>
Sign Design Tom Wide is the owner of the business and the Fire Chief	Miscellaneous items	\$ <u>170</u>

In accordance with Chapter 362.52(3)(j) of the Code of Iowa, the transactions with the Fire Chief do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year. The transactions with the Chairperson of the Airport Commission exceed \$1,500; however, purchases from local businesses are necessary for the operation of the City of Washington, Iowa. The Council considered and approved the purchases from this local merchant.

Recommendation: The Council should continue to monitor purchases from Council member owned businesses and assure that conflicts of interest are limited to required transactions. Reasons for and approval of such transactions should be documented.

Response: The Council will continue to monitor and document reasons for and approval of transactions that appear to represent any conflict of interest.

Conclusion: Response accepted.

14-IV-E Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

14-IV-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

14-IV-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.

CITY OF WASHINGTON, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

PART IV: Other Findings Related to Statutory Reporting - Continued

14-IV-H Revenue Bonds: No instances of non-compliance with the revenue bond resolutions were noted.

14-IV-I Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

* * *